

Message Text

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TAGS: UNCTAD, EFIN
SUBJECT: UNCTAD MEETING OF GOVERNMENTAL EXPERTS ON INTER-
DEPENDENCE PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE
INTERNATIONAL MONETARY SYSTEM, JUNE 19-23

REF: GENEVA 9458

1. SUMMARY: GOVERNMENTAL EXPERTS FROM ASSORTED DEVELOPED
AND LESS DEVELOPED COUNTRIES HELD FOUR DAYS OF DISCUS-
SIONS ON VARIOUS ASPECTS OF INTERNATIONAL DEPENDENCE,
REACHING LITTLE IN THE WAY OF CONCRETE CONCLUSIONS.
ALTHOUGH MOST DELEGATES ACKNOWLEDGED HIGH DEGREE OF INTER-
DEPENDENCE IN INTERNATIONAL CONNECTIONS BETWEEN TRADE,
FINANCE AND MONETARY SYSTEM ISSUES, SUGGESTIONS ABOUT
FUTURE DIRECTION TENDED TO BREAK DOWN ALONG NORTH/SOUTH
LINES. AS EXPECTED, SECRETARIAT PUSHED IDEAS FOR
EXPANDED "COMPENSATORY FINANCE" FACILITIES, PARTLY ON
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RATIONALE THAT ADDITIONAL LDC DEMAND WOULD HELP RE-
FLATIONARY EFFORTS IN THE OECD COUNTRIES. OECD DELEGATES
WERE SKEPTICAL OF SUCH AN APPROACH, RAISING VARIOUS
TECHNICAL PROBLEMS. UNDER MORE GENERAL HEADING OF RE-
SOURCE TRANSFERS, SECRETARIAT AND MOST LDC DELEGATES
ADVOCATED LARGE INCREASES IN ASSISTANCE, MAINLY ON CON-

CESSIONAL TERMS AND FROM OFFICIAL SOURCES. OECD COUNTRY EXPERTS WERE GENERALLY NONCOMMITAL ON PROSPECTS FOR LARGE INCREASES IN ASSISTANCE, AND CALLED ATTENTION TO POTENTIAL FOR INCREASES IN PRIVATE CAPITAL FLOWS, PREREQUISITE FOR WHICH WOULD BE CLEARER UNDERSTANDINGS BETWEEN DCS AND LDCS ON INVESTMENT CONDITIONS. EXPERTS GROUP WAS NOT ASKED TO PREPARE A REPORT ON MEETING, BUT UNCTAD SECRETARIAT PLANS TO PREPARE ONE FOR NEXT MEETING OF THE TRADE AND DEVELOPMENT BOARD, IN PREPARATION FOR UNCTAD V. SECRETARIAT CLEARLY INTENDS TO GET THE INTERDEPENDENCE QUESTION ONTO THE UNCTAD V AGENDA, ALTHOUGH COREA AND ARGENIS DO NOT SEEM SURE JUST WHAT FORM IT MIGHT TAKE. END SUMMARY.

2. OPENING SESSION OF MEETING ILLUSTRATED UNCERTAINTY IN BOTH UNCTAD SECRETARIAT AND AMONG EXPERTS PRESENT AS TO HOW DISCUSSIONS SHOULD EVOLVE. SEC GEN COREA NOTED THAT EXPERTS WOULD NOT BE ASKED TO PREPARE A FORMAL REPORT, BUT THAT HE WOULD TRY TO SYNTHESIZE RESULTS FOR THE NEXT MEETING (AUGUST) OF THE TDB. DESPITE EARLIER SECRETARIAT COMMITMENTS TO PRODUCE SEVERAL PAPERS AND AN ANNOTATED AGENDA FOR THE MEETING (SCHEDULED FOR A FULL WEEK), MOST PARTICIPANTS RECEIVED ONLY A DRAFT NOTE ("SELECTED ISSUES FOR CONSIDERATION" TD/B/AC.25/4.2) PRIOR TO THE MEETING, AND NO WRITTEN AGENDA WAS PRODUCED. PARTICIPANTS AGREED TO DEVOTE THE FIRST SESSION TO GENERAL DISCUSSION OF INTERDEPENDENCE. MOST AGREED WITH GENERAL SECRETARIAT LIMITED OFFICIAL USE

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PROPOSITIONS ON MUTUAL INTERDEPENDENCE BETWEEN DCS AND LDCS, ALTHOUGH DIFFERENCE IN PERSPECTIVES WERE EVIDENT. FRENCH DELEGATE (ROUGE) AND OTHERS NOTED HOW CUMBERSOME THE SUBJECT WAS AND DIFFICULTIES IN DECIDING WHICH WAY TO PURSUE IT.

3. SECRETARIAT VIEWPOINT, SHARED BY MOST LDC DELEGATES, WAS THAT SLOWDOWN IN OECD GROWTH AND UNCERTAIN PROSPECTS FOR FUTURE HAD INFLECTED SPECIAL DIFFICULTIES ON LDCS, WHICH DEPEND ON EXPORTS TO OECD AREA FOR THEIR BALANCE OF PAYMENTS EQUILIBRIUM AND THEIR OWN GROWTH. SOLUTION, AS DEVELOPED BY SECRETARIAT IN THIS AND FOLLOWING SESSIONS, SHOULD TAKE THE FORM OF EXPANDED (BUT VAGUELY DEFINED) COMPENSATORY FINANCING PROGRAMS AND LARGE SCALE RESOURCE TRANSFERS. LDC REPS TENDED TO EMPHASIZE IMPORTANCE OF NEW INTERNATIONAL ECONOMIC ORDER (TANZANIA) OR FAILURE OF PRESENT INTERNATIONAL SYSTEM TO ADDRESS PROBLEM OF INCOME DISTRIBUTION (INDIA) AND CONTINUED INSTABILITY IN COMMODITY MARKETS. DELEGATES FROM USSR AND GDR SPOKE SELDOM BUT, WHEN THEY DID, GENERALLY DENIED RESPONSIBILITY FOR PRESENT WORLD CONDITIONS AND MADE RATHER FANCIFUL

DEFENSES OF THEIR OWN AID AND RESOURCE TRANSFER POLICIES.

4. SECOND AND THIRD SESSIONS OF CONFERENCE WERE ENGAGED MAINLY WITH WORLD ECONOMIC OUTLOOK. SECRETARIAT (ARSENIS) SKETCHED, ACCURATELY, PRESENT CONDITIONS, AND GAVE RATHER PESSIMISTIC PROGNOSIS FOR NEXT SEVERAL YEARS. EXPERTS FROM OECD COUNTRIES, FORTIFIED BY RESULTS OF JUNE 14-15 MINISTERIAL, WERE MORE OPTIMISTIC, ALTHOUGH NOT BUOYANT IN THEIR OWN ASSESSMENTS. MINISTERIAL COMMITMENTS TO MORE VIGOROUS CONCERTED ACTION AND TO POSITIVE ADJUSTMENT POLICIES IN RESPONSE TO STRUCTURAL DIFFICULTIES WERE THEMES WHICH RECURRED FREQUENTLY. MOST ACKNOWLEDGED STRUCTURAL PROBLEMS WITHIN OECD ECONOMIES, BUT FELT THEIR GOVERNMENTS WERE COMMITTED TO NECESSARY CHANGES, ESPECIAL-

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LY AS REGARDS ASSURING MARKET ACCESS FOR MANUFACTURED EXPORTS OF NEWLY INDUSTRIALIZING LDCS. VARIOUS OECD REPS CHALLENGED SECRETARIAT VIEW THAT LDCS WERE BEARING THE "BURDEN OF ADJUSTMENT" RESULTING FROM SLOW GROWTH IN THE DCS AND, PARTICULARLY, AS A RESULT OF DC COMMERCIAL POLICIES.

5. AS SPECIAL CASE OF RESOURCE TRANSFERS DESIRED BY SECRETARIAT, ARSENIS PUSHED IDEA OF GREATLY EXPANDED COMPENSATORY FINANCING FACILITIES FOR SHORTFALLS IN LDC

EXPORTS. CENTRAL NOTION WAS THAT SHORTFALLS FROM DESIRED TREND IN LDC EXPORTS (I.E., TREND AS IF OECD GROWTH WERE STRONG) SHOULD BE COMPENSATED, ALTHOUGH DETAILS DID NOT APPEAR TO HAVE BEEN THOUGHT THROUGH. MAIN PITCH WAS THAT A BIG CFF WOULD ALLOW LDCS TO EXPAND THEIR IMPORTS (E.G., CAPITAL GOODS) AND THAT THIS WOULD AID REFLATION IN THE DCS. MOST OECD REPS HAD SERIOUS RESERVATIONS ON TECHNICAL GROUNDS. IMF PARTICIPANT LIMITED OFFICIAL USE

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ELABORATED ON EXISTING, LIBERALIZED CFF AND STAFF PROPOSALS FOR FURTHER IMPROVEMENTS. JAPANESE REP (YOSHITOMI) NOTED THAT HIS ECONOMY, AMONG OTHERS, COULD DO WITHOUT EXPORT-LED GROWTH IN THE NEAR FUTURE. US REP (WILSON) AND FRG REP (FLANDORFFER) POINTED OUT THAT IN CONTEXT OF INTERNATIONAL MONETARY SYSTEM CFF RELIED ON MECHANICAL CALCULATIONS OF EXPORT DEVELOPMENTS, NOT ON A NORMATIVE VIEW OF HOW EXPORTS SHOULD DEVELOP. EARLIER SECRETARIAT CALCULATIONS OF FAIRLY LARGE REFLATIONARY EFFECT OF ENHANCED CFF-FUNDED EXPORTS WERE CHALLENGED BY SEVERAL EXPERTS. NORWEGIAN REP (ANGELL) DREW ATTENTION TO UNCERTAIN, AND PERHAPS INAPPROPRIATE, SECTORAL IMPACT OF SUCH ADDITIONAL DEMAND. FACED WITH SUCH NUMEROUS RESERVATIONS, SECRETARIAT BACKED AWAY FROM THIS IDEA FOR THE REST OF THE MEETING, ALTHOUGH IN CLOSING COMMENTS LATER IN THE WEEK, EXPERT FROM PAKISTAN (KHAN) FELT THAT THE IDEA SHOULD NOT BE DISCARDED ON SIMPLY TECHNICAL GROUNDS.

6. DISCUSSION OF DC COMMERCIAL POLICIES OCCUPIED THE BETTER PART OF TWO SESSIONS, AND WERE BASED LARGELY ON RECENT SECRETARIAT DOCUMENT, "GROWING PROTECTIONISM AND THE STANDSTILL ON TRADE BARRIERS AGAINST IMPORTS FROM DEVELOPING COUNTRIES" (TD/B/C.2/194 - MARCH 21, 1978). SECRETARIAT AND LDCS EVINCE GREAT CONCERN ABOUT SYSTEMATIC MOVES BY DCS TO FORECLOSE MARKET ACCESS TO LDC PRODUCTS WHEN THE LATTER MATURE INTO COMPETITION WITH DC PRODUCTS. TEXTILES, SHOES AND STEEL WERE CITED AMONG SPECIFIC PRODUCTS, ALONG WITH DRIFT GENERALLY TOWARD VOLUNTARY EXPORT RESTRAINTS, OMAS AND OTHER MEASURES WHICH FIX PRICES AND/OR QUANTITIES AND IMPEDE LDC DEVELOPMENT OF NASCENT INDUSTRIES.

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7. EXPERTS FROM OECD COUNTRIES MADE STRONG CASE THAT

SECRETARIAT VERSION OF THE PROBLEM WAS OVERDRAWN, ALTHOUGH THEY ACKNOWLEDGED ITS EXISTENCE. THE MFA, FOR EXAMPLE, HAD SLOWED, BUT NOT STOPPED LDC PENETRATION IN TEXTILE MARKETS. DC REPS CONCEDED THAT SLOW GROWTH IN THEIR ECONOMIES HAD INCREASED PROTECTIONIST PRESSURES, BUT HOPED THAT FASTER GROWTH IN THE FUTURE WOULD HELP. SEVERAL ALSO NOTED THAT DEMANDS WERE RISING IN THEIR COUNTRIES FOR SOME "GRADUATING" LDCS TO FACILITATE MARKET ACCESS IN THEIR OWN COUNTRIES. FRG AND US REPS DREW ATTENTION TO ROLE OF INTEREST GROUPS AND ELECTORATES IN PROTECTIONISM IN THE OECD, NOTING THAT SCOPE FOR GOVERNMENT RESISTANCE TO SUCH DEMANDS WAS AFFECTED BY PUBLIC PERCEPTIONS OF PROTECTIONISM ELSEWHERE, BOTH IN OTHER DCS AND IN THE LDCS. NEW ROLE OF SUBSIDIES TO CAPITAL AND LABOR WAS ADDRESSED, ALTHOUGH MOST OECD REPS FELT SECRETARIAT DEPICTION OF INCREASING NTBS WAS OVERDRAWN. US REP DREW PARTICULAR ATTENTION TO INACCURACIES IN SECRETARIAT CHARACTERIZATIONS ABOUT U.S. TRIGGER PRICE MECHANISM (TPM) FOR STEEL IMPORTS, (BOTH IN ABOVE-CITED DOCUMENT AND IN ORAL REMARKS AT THE MEETING). HE AGREED THAT FASTER ECONOMIC GROWTH WOULD ATTENUATE PROTECTIONIST PROBLEM, BUT AS THIS USUALLY HAS SECTORAL ORIGINS, WE COULD NOT COUNT ON THE PROBLEM GOING AWAY IN THE NEAR FUTURE. (NOTE: IN COURSE OF COMMERCIAL POLICY TALKS, NEWS OF U.S. SUPREME COURT DECISION ON ZENITH CASE ARRIVED AND WAS ANNOUNCED TO GROUP, WHICH WAS OBVIOUSLY PLEASED).

8. FINAL TWO SESSIONS OF THE CONFERENCE CENTERED ON BROAD QUESTION OF RESOURCE TRANSFER TO LDCS. SECRETARIAT, CLEARLY INTERESTED IN A MAJOR UNCTAD ROLE IN THIS ISSUE, POINTED TO THE "DICHOTOMY" IN EXISTING INSTITUTIONAL MECHANISMS FOR SUCH TRANSFERS, AND ARGUED FOR A "MECHANISM TO UNIFY FLOWS TO LDCS AND INFLUENCE THE MIX OF CONCESSIONAL AND NONCONCESSIONAL ASSISTANCE." MOST LIMITED OFFICIAL USE

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LDC REPS SUPPORTED SECRETARIAT VIEW (ARSENIS) THAT THE

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PRESENT RATIONALE FOR CONCESSIONALITY WAS ECONOMIC, WHEREAS LDCS WOULD PREFER ONE BASED ON SOCIAL OR INCOME DISTRIBUTION GROUNDS. A LONG AND INCONCLUSIVE DISCUSSION ENSUED ON THE PROBLEM OF SOCIAL VERSUS ECONOMIC RETURNS.

9. ON SUBJECT OF SECRETARIAT ASSUMPTION OF SURPLUS CAPITAL IN THE DCS WHICH WOULD SUPPORT MASSIVE RESOURCE TRANSFERS, SEVERAL DC REPS, NOTABLY FRG, EXPRESSED DOUBTS, POINTING TO FEARS ABOUT FUTURE CAPITAL SHORTAGES AS DCS COME TO GRIPS WITH THEIR STRUCTURAL PROBLEMS. MOST ALSO HAD RESERVATIONS ABOUT SECRETARIAT BIAS IN FAVOR OF OFFICIAL ASSISTANCE AND TRANSFERS, POINTING TO VAST POTENTIAL FOR PRIVATE INVESTMENT IN LDCS AS AN EFFECTIVE ALTERNATIVE. WHAT WAS NEEDED IN THIS REGARD WAS GREATER CERTAINTY, NOT JUST IN THE ECONOMIC SENSE, BUT ALSO IN TERMS OF LDC POLICY CONTINUITY REGARDING TERMS AND CONDITIONS FOR INWARD INVESTMENT, AND THE WAY PRIVATE IN-LIMITED OFFICIAL USE

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VESTORS FROM DCS COULD JOIN WITH OR RELATE TO LDC AUTHORITIES. THERE WAS GENERAL CONSENSUS THAT IT WAS IMPORTANT TO RESOLVE QUESTIONS IN THIS AREA (E.G., ROLE OF MULTINATIONALS, INVESTMENT INSURANCE, TECHNOLOGY TRANSFER, ARBITRATION, ETC.) MANY POSSIBLE PROJECTS IN AREAS OUTLINED, E.G., IN PARA 21 OF THE OECD MINISTERIAL COMMUNIQUE, HAVE LONG LEAD TIMES, AND SHOULD BE UNDERTAKEN SOON IF WE ARE TO AVOID THE RISK OR SHORTAGES DURING THE 1980'S. IN CONNECTION WITH RESOURCE TRANSFER QUESTION, POSSIBILITY OF A "MARSHALL PLAN" FOR LDCS WAS MENTIONED, ALTHOUGH RELEVANCE OF THIS NOTION WAS

QUESTIONED BY JAPANESE REP AND NO DETAILS WERE ELUCIDATED. (COMMENT: ALTHOUGH WE HAD ANTICIPATED RATHER DETAILED PROPOSALS BY SECRETARIAT ON ITS RESOURCE TRANSFER IDEAS, NONE WERE FORTHCOMING. IMPRESSION WAS LEFT THAT SECRETARIAT HAS ACQUIRED A GENERAL CONCEPT - SEE GENEVA 9458 - AND WANTS TO PUSH IT WITH A LARGE ROLE FOR UNCTAD, BUT THAT SECRETARIAT ITSELF IS VERY UNSURE ON INSTITUTIONAL AND FINANCIAL DIMENSIONS OF SUCH A SCHEME.)

10. ROLE OF OPEC IN INTERDEPENDENCE FRAMEWORK GOT LITTLE ATTENTION EXCEPT IN CONTEXT OF RESOURCE TRANSFER DISCUSSIONS. THERE THE APPROACHES BROKE DOWN ON FAMILIAR LINES. JAPANESE AND U.K. REP (GORE-BOOTH) STRESSED THAT CAPITAL-SURPLUS OIL PRODUCERS SHOULD BE AN INTEGRAL PART OF ANY FUTURE DISCUSSIONS ON TRANSFERS TO LDCS. RESPONSE BY VENEZUELAN (CESAR-GIL) WAS THAT OPEC WAS EXPLOITING A DEPLETABLE RESOURCE AND, IN ANY CASE, HAD RECENTLY HAD A BETTER RECORD ON DEVELOPMENT ASSISTANCE THAN THE DAC COUNTRIES. AS TO SOCIALIST COUNTRIES, THE USSR REP (PITCHOUGIN) GAVE A LENGTHY DISCOURSE ON ECONOMIC PROGRESS UNDER THEIR PLANNING SYSTEM, DENIED ANY CONNECTION WITH WORLD ECONOMIC DIFFICULTIES AND SAID THAT RUSSIAN AS-LIMITED OFFICIAL USE

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SISTANCE TO LDCS WAS WELL-KNOWN TO ALL (E.G., VIA PURCHASES OF "INFERIOR" LDC TEXTILES IN EXCHANGE FOR "HIGH-QUALITY" RUSSIAN PRODUCTS). GDR REP (PAPIES) TOOK ISSUE WITH ENTIRE CONCEPT OF "INTERDEPENDENCE OF STATES", ALBEIT IN MILD-MANNERED FASHION. (COMMENT: MOST SPEAKERS FROM LDCS, FOR ALL THEIR CRITICISM OF THE OECD, CLEARLY FELT THE CMEA COUNTRIES BORE SOME RESPONSIBILITY FOR THE SYSTEM AND SHOULD BE DRAWN IN FURTHER.)

11. INITIALLY PLANNED FOR FIVE DAYS, THE EXPERTS' CONFERENCE FINISHED IN FOUR (ACCORDING TO ARSENIS, BECAUSE OF THE "EFFICIENCY" OF THE DELEGATES). ACTUALLY, THE GROUP RAN OUT OF THINGS TO TALK ABOUT, AS EVIDENCED BY THE UNFOCUSSED RESOURCES-TRANSFER EXCHANGES. ON MOST TOPICS THE NORTH/SOUTH DICHOTOMIZATION WAS NOT ACUTE, EXCEPT IN SENSE THAT MOST LDCS FELT THEIR GROWTH PROSPECTS WERE BEING THWARTED BY SLOW GROWTH IN THE OECD AREA AND BY A SYSTEMATIC APPLICATION OF ADVERSE COMMERCIAL POLICIES. MOST ALSO SEEMED TO FEEL THE ROLE OF PRIVATE DECISION MAKERS IN INTERNATIONAL TRADE AND INVESTMENT WAS TOO LARGE. AS EXPRESSED BY INDIAN DELEGATE (KELKAR) IN SUMMING UP, LDCS FEEL THEY NEED A "COUNTERVAILING POWER" TO THE PRIVATE DECISION-MAKERS, IN THE FORM OF SOME KIND OF WORLDWIDE INDICATIVE PLANNING. WHILE ACKNOWLEDGING THE ADVANTAGES OF MULTILATERAL OVER BILATERAL INSTITUTIONAL MECHANISMS, THEY WORRIED THAT EXISTING INSTITUTIONS

(SPECIFICALLY, THE IMF AND IBRD) WERE "NOT UNIVERSAL."
WHAT WAS NEEDED FOR FURTHER PROGRESS WAS A "TRULY
UNIVERSAL" ORGANISM, SUCH AS UNCTAD, TO PUT ITS UMBRELLA
OVER THE ENTIRE SYSTEM AND OVERSEE FUTURE DEVELOPMENTS.

12. IN THEIR SUMMARIES, DC REPS RAISED NO SPECIFIC
OBJECTIONS TO FURTHER UNCTAD REVIEW OF INTERDEPENDENCE
QUESTIONS, BUT THEY WERE SKEPTICAL THAT NEW INSTITUTIONS
WERE THE ANSWER. SEVERAL NOTED THAT THERE IS NOW A BROAD
SPECTRUM OF COUNTRIES AT VARIOUS DEVELOPMENT LEVELS.
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EVEN IF IT SHOULD BE DECIDED EVENTUALLY THAT GREATER

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RESOURCE TRANSFERS ARE NEEDED, THERE ARE ALREADY MANY
OFFICIAL CHANNELS WHICH CAN BE USED, NOT TO MENTION THE
PRIVATE SECTOR POSSIBILITIES. IN TERMS OF DC AND LDC
POLICIES, IT WAS AGREED THAT CERTAINTY, CONTINUITY AND
TRANSPARENCY WERE IMPORTANT FACTORS.

13. COMMENT: IT IS FAIRLY CLEAR THAT THE INTERDEPENDENCE QUESTION WILL END UP ON THE AGENDA OF UNCTAD V NEXT YEAR IN MANILA. SEVERAL LDC REPRESENTATIVES (AND THE USSR EXPERT) EXPLICITLY MADE THIS REQUEST, WHICH WAS CLEARLY WELCOMED BY THE SECRETARIAT. SECGEN COREA, WHO ATTENDED THE FINAL SESSION, MORE OR LESS ASSURED THE GROUP THAT UNCTAD V WOULD TAKE UP THE TOPIC. WHAT IS UNCLEAR IS THE FORM AND SCOPE. THE SECRETARIAT IS PRESENTLY WORKING ON ITS SYNTHESIS OF THE EXPERTS' MEETING FOR THE AUGUST MEETING OF THE TDB. AFTER THIS IS FINISHED THE OUTLINES OF WHAT TO EXPECT WILL BE CLEARER. BUT IN VIEW OF THE VIRTUAL CERTAINTY THAT THE TOPIC WILL LIMITED OFFICIAL USE

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PLAY A PROMINENT ROLE NEXT YEAR, THE VAST DIMENSIONS OF THE TOPIC ITSELF, AND THE LIKELIHOOD THAT PROPOSALS ON RESOURCE TRANSFERS WILL BE THE CENTERPIECE, IT MAY NOT BE TOO SOON FOR THE DEPARTMENT TO BEGIN THINKING OF POSSIBLE RESPONSES AND INITIATIVES OF OUR OWN. END COMMENT. SORENSON

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